Introduction

Background

State General Fund spending for Higher Education has increased 108% from 1990–91 to 2008–09. Chart 1 shows a cumulative change in General Fund expenditures.

Five smaller budget categories shown in Displays 1 through 3 are combined and shown under the heading Other Governmental Functions. This change moderates some of the fluctuations in funding for these categories. These categories are: Legislative, Executive, Judicial; State and Consumer Services; Business, Transportation, Housing; Resources; and General Government Services.

Through 2008–09, General Fund spending on K-12 education is second to Corrections and Rehabilitation as the fastest-growing area of General Fund support since 1990–91.

From 1990–91 to 2008–09, General Fund expenditures increased most in Corrections and Rehabilitation (281%), K-12 Education (191%) Total General Fund spending (158%), Health and Human Services (about 133%), and Other Government Functions (about 109%).

In the same period, State General Fund spending on Higher Education increased only 108%. This is the lowest rate of growth of any funding category. However, this change is affected by decisions on other fund sources for higher education. Higher education funding has become gradually less dependent on General Funds in recent decades as student tuition and fee revenues have been substantially increased.

Chart 1: Percent Change in General Fund State Expenditures from Fiscal Year 1990-91 to 2008-09

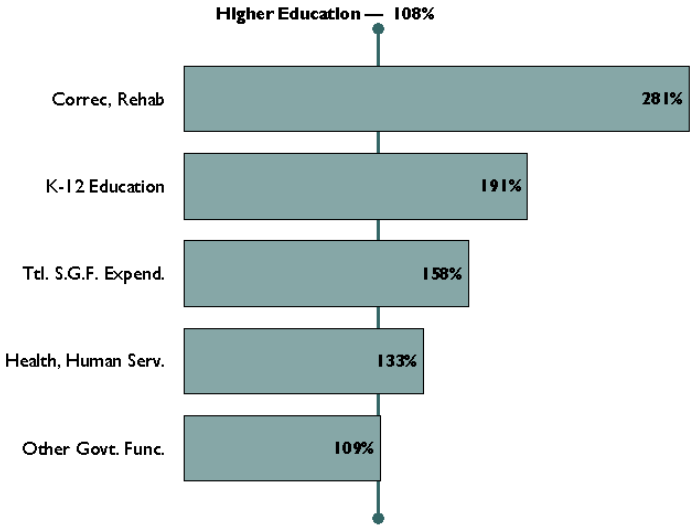
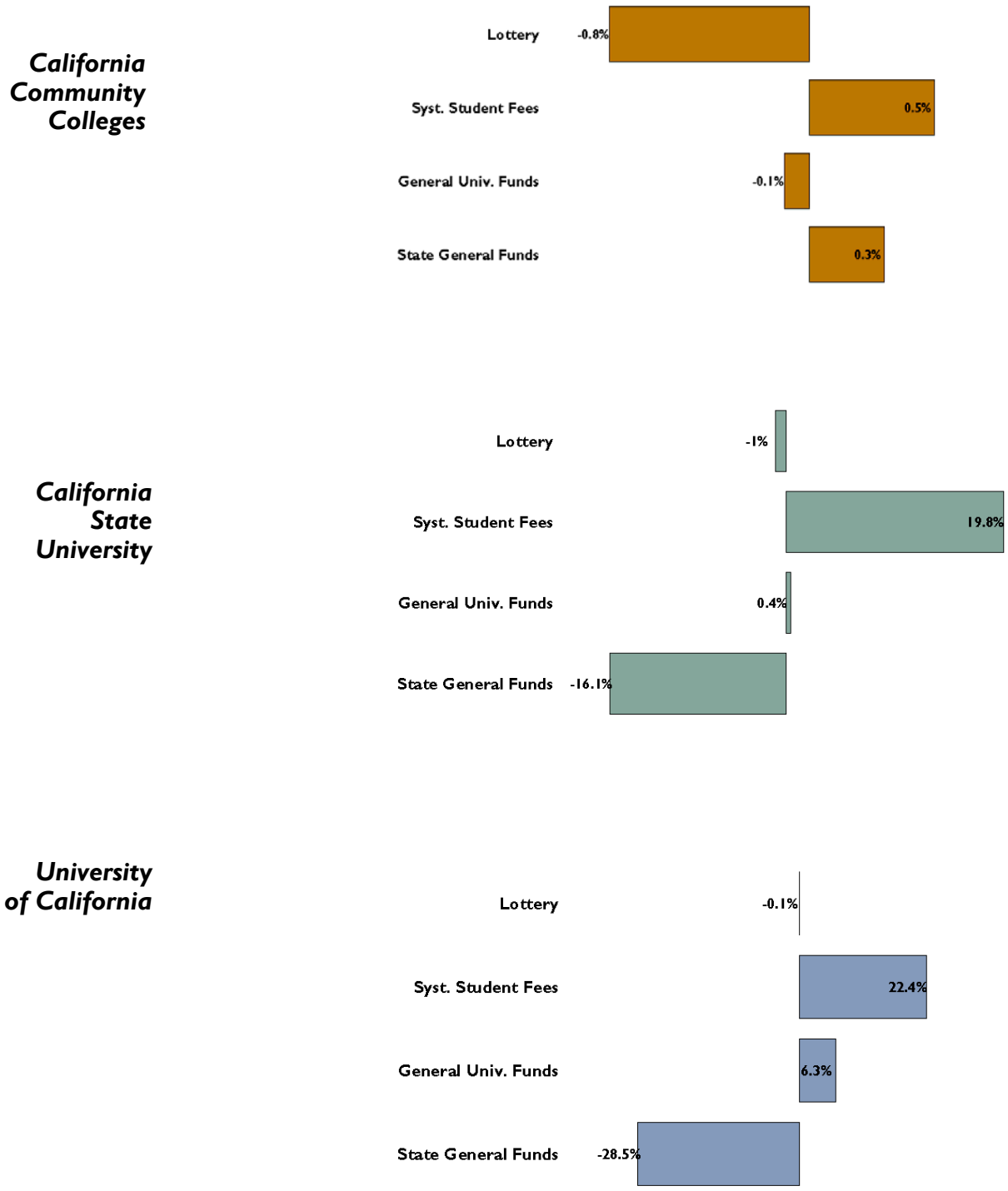


Chart 2 shows changes in State General Fund spending as a proportion of total public funds. These state-determined funds are those under the control of the state or the education systems — the University of California, California State University, and the California Community Colleges. See Display 72 for year-to-year breakdowns of each system's state-determined funding sources.

For the community colleges, state-determined funding has changed little since 1986–87, and these changes are consistent with UC and CSU. The State General Fund and local property tax revenues are the largest funding sources of the community colleges. Funding from these sources, as a share of the whole, has declined by 0.6% since 1986–87. Lottery and state school funds have also declined minimally. For 2008–09, General Fund and local property tax revenues account for nearly 94% of the community colleges' total state-determined funds.

Chart 2: Changes in the Proportions of Total State-Determined Funds, by Fund Source, for the Three Public Segments of Postsecondary Education, Fiscal Years 1986–87 and 2008–09



At CSU, State General Fund support has declined from 83% of the total state-determined funds in 1986–87, to 64% of the total in 2008–09. This is the second lowest since 1965–66. For 2008–09, net CSU funds (State University revenues less systemwide student fee revenues) comprises 4.4% of total state-determined funds. California State Lottery revenues to CSU are 1% of the total, a decrease from 2007–08 when it was 1.4% and a 2.8% high in 1989–90. CSU's revenues from systemwide student fees in 2008–09 are projected to be 30.6% of total state funding, compared to 11% in 1986–87. Systemwide student fee revenues in prior and current years are the highest and second-highest proportions, respectively, of state-determined funds, since 1965–66.

At UC, State General Funds as a proportion of total state-determined funding has dropped from 86.2% in 1986–87 to 57.7% in 2008–09. During the same period, General University funds (non-resident tuition plus miscellaneous student and institutional revenues) have increased — 5% in 1986–87 to 11% in 2008–09. Lottery funds at UC have remained flat, 0.6% of the total in 1986–87 compared to 0.5% in 2008–09. The share of systemwide student fee revenues as state-determined funds has grown much more significantly at UC than the community colleges and CSU, more than 22 percentage points since 1986–87.

The budget decisions in the late 1990s to freeze resident student fee levels, while providing additional State General funds to buy out this increase resulted in the share of total state-determined funds represented by student fee revenues projected for 2008–09 (30.8%) is two percentage points above last year's levels.

The State General Fund is 57.7% of UC's state-determined funds, which is a decrease over the two preceding years and the-lowest proportion in the 43 years measured here (see Display 72).

Organization of the report

Fiscal Profiles 2008 contains 101 statistical displays organized in 16 categories. Appendix A contains five pages of multi-year summaries. The 2007–08 and 2008–09 displays show estimates and budget-based projections representing the most current information available on the varied aspects of California state government finance. The information contained in Fiscal Profiles 2008 has been compiled from, and verified by, a variety of sources involved with the development of the annual state budget.

State General Fund Appropriations

Total State General Fund spending remained somewhat stable over the past three years with total General Fund spending at $103 billion. Total General Fund spending has increased by 32% over the last five years (Appendix A).

For 2008–09, 11.1% of the General Fund will go to higher education. This is the third-lowest measured here over the past 41 years. The past three years have seen a slow decline in the proportion of State General Fund spending allocated to higher education.

Higher education funding has increased appreciably in 2008–09. However, much of this increase comes from other sources, such as local revenues for the community colleges as part of Proposition 98. Over the past 20 years, higher education's funding resource base has diversified greatly beyond the State General Fund, including minor sources such as the California State Lottery. The major growth sources in public funding are the continued post-Proposition 13 recovery of local property tax revenues and an increasing influx of resident student fee revenues

An anticipated 39.5% of the State General Fund will go to K-12 education, the second straight decline since an all-time high of 42.8% in 2006–07.

Other areas continue to experience near-historic funding highs. Legislative, Judicial, and Executive received 3.4% of the State General Fund. Corrections and Rehabilitation received 9%, the highest in

the 41 years of this analysis. The anticipated 17% year-to-year growth in funding for Corrections and Rehabilitation is the state's third largest, second only to Resources at 44.2% growth and General Government Services at 17.6%.

Corrections and Rehabilitation continues to have the highest growth in State General Fund expenditures over the period covered in this analysis (Appendix A).

With $31 billion of the State General Fund in 2008–09, Health and Human Services is the second-largest expenditure category behind K–12 Education. These two categories account for two-thirds of overall General Fund expenditures.

State fund comparisons involving Health and Human Services can be misleading, because this area includes major federally-funded programs, such as medical assistance.

Combined spending in the Legislative, Judicial, and Executive, State and Consumer Services, Business, Transportation, and Housing, Resources, and General Government categories amounts to 9% of the General Fund, or about $8.2 billion (Displays 1–3).

These five areas account for some of the state's most important public services such as natural resource management, consumer protection and information, and transportation infrastructure. As with Health and Human Services, these categories include many federally-funded programs. And similar to Higher Education, some programs have become heavily reliant upon targeted user fees.

Displays 4 and 5 show state personnel years (filled positions) and state employee salary cost estimates for the five major budget categories, along with individual proportions of personnel years (PY) and salary costs since 1967–68.

Higher Education accounts for 37% of total personnel years and 35% of salary costs. The largest number of filled positions and total salaries projected for 2008–09 are in the Higher Education category.

Budgeted positions in Health and Human Services, as a share of the total, dropped by one-third in 2000–01 due to the reclassification of some functions. The year-to-year change in 2008–09 shows a 0.1% increase in its share of funded positions and 0.2% increase in associated share of costs.

In 2008–09 Corrections and Rehabilitation anticipates a 0.2% increase in its share of overall budgeted positions and a 0.5% increase in its relative share of costs. This category has 18.8% of total positions, a 40-year high, and a 21.2% share of salary costs. This is its second-highest share over the 40 years measured in these displays.

The positions and salaries in K–12 Education do not include local district personnel. This category has maintained less than 1% of total state personnel positions and costs over the past 20 years.

It is difficult to quantify changes in the relative shares of state positions and costs for Other Government Functions, because it combines a variety of functions. Given the wide range of state services, it is somewhat surprising that over time the range of highs and lows of positions and costs in this category is less than 7 percentage points.

Over the 41 years of change measured in Displays 4 and 5, and quantified in Appendix A, Corrections and Rehabilitation has had the largest increase in the proportion of any category in total filled positions (544%) and salary costs (4,144%).

The next highest growth category, Higher Education, has increased 98% in positions and 1,143% in salaries during this time. Total state personnel years have increased by 98% and accompanying position costs by 1,247%, since 1967–68.

Display 6 presents State General Fund expenditures in constant dollars (adjusted for inflation) and actual 2008–09 dollars for state operations and local assistance in the five major budget expenditure categories. The State and Local Government Purchases Index was used to control for the effects of price inflation (see Display 68). Page 1 of Appendix A shows changes from 1967–68 through the current year. In terms of constant dollars, General Fund spending for Higher Education has increased just 150% in 39 years. This is less than two-thirds the rate of growth in spending for the state as a whole (257%).

When adjusted for inflation, the category with the largest spending increase since 1967–68 is Corrections and Rehabilitation, at 854%. The second largest is K-12 Education with 307%growth, followed by Health and Human Services with 150%. Spending in Other Government Functions has increased 105%.

Spikes in spending, along with sudden declines, have occurred in all of these expenditure categories and are usually the result of some new or revised policy initiative. Displays 1 and 6 show that Corrections and Rehabilitation spending has been steadily increasing since the early 1980s, with significant year-to-year increases starting in the late 1980s.

Whether measured in actual dollars, constant dollars, annual funding increases, shares of state-funded positions, changes in proportions of total State General Funds, or any combination thereof (Displays 1–6 and Appendix A), Corrections and Rehabilitation funding has outpaced all others. Corrections and Rehabilitation has clearly become the state's highest priority for the commitment of new General Fund monies for more than 25 years.

Total State Spending Plan

Display 7 shows the three categories of revenue sources that comprise State General Fund revenues and a portion of State Special Funds over the past 43 years. There have been multi-billion dollar swings in projected versus actual tax and fee receipts and inter-fund transactions during this decade, particularly for Loans and Transfers. This category is expected to have a $17 million negative balance in 2006–07 and a positive balance of $816 million by the end of the current year.

The decision to lower the vehicle license fee rate in 2003 accounts for most of the $6 billion drop in Minor tax (regulatory fees and proceeds from governmental transactions) funding between 2002–03 and 2003–04. Revenues generated by minor taxes nearly quadrupled over the past ten years. This year's projected $2.8 billion is less than half the estimates for the prior year's $6 billion.

Income and sales-based taxes and other minor taxes were initially expected to increase by $2.7 billion (2.8%) in 2008–09 over 2007–08 levels and by 41% over the past 10 years. Including loans and inter-fund transfers, the total of these revenues in the current year is projected to be $102 billion, a $1 billion (1%) decrease from last year. Over the last ten years, these revenues have increased by 74%. However, with the current national recession, actual year-to-year and trend growth in revenues will likely be substantially lower than is projected.

Display 8 shows how much money is actually generated by individual state taxes and fees but does not include all state and local revenue sources. 78% of these funds aer generated by sales and use taxes and personal income taxes. Display 8 also shows the economic recession sensitivity of these two categories. After more than doubling from 1982–83 to 1991–92, sales and use tax revenues flattened until 1995–96. California's personal income tax receipts appear fairly recession-proof. However, these revenues experienced a larger one-year decline between 2000–01 and 2001–02 ($11.6 billion) than the total amount of personal income tax receipts in 1985–86 ($11.4 billion).

Corporation tax revenues are the third-largest source, with an anticipated $13 billion in collections for the current year, followed by an anticipated $9.4 billion in combined vehicle fee and fuel taxes.

Estate and gift tax rates were revised downward by Proposition 6 in 1982 but generated a high of $934 million in 2000–01. This tax was phased out from 2001 to 2005–06. Whether measured in actual or 2008–09 constant dollars, no one source included here has risen as quickly as personal income tax collections. This source has risen 4,421% in actual dollars and 728% in constant dollars. The next closest rate of increase is for corporation tax receipts: 2,356% in actual dollars and 350% in constant dollars. This trend has increased dependence on income tax collections, which has led to the revenue volatility the state has experienced twice this decade.

The third- and fourth-fastest rates of growth since 1970–71 are Total Revenue tax receipts (actual: 2,026%; constant: 290%) and Sales and Use tax receipts (actual: 1,757%; constant: 240%).

Displays 9, 10 and 11 detail the Total State Spending Plan since 1965–66. This plan accounts for nearly all appropriations of state and non-state funds in five funding categories used by the State. Total State government-authorized spending in California for 2008–09 is projected to be $317 billion, an increase of $8.6 billion over 2007–08.

Local Property Tax revenues are projected to increase 8.7% this year, followed by Nongovernmental Cost funds (derived from sources such as working capital revolving funds, bond funds, and retirement funds) at 6.0%. State Special Funds are expected to decline by 2% while General Fund revenues are expected to grow by 0.1%.

Although the State General Fund is the largest and most well-known component of state government spending, it is projected to account for only 32.6% of the State Spending Plan for the current year (Display 10). After years of accounting for an average of above 40% in the post-Proposition 13 era, with the recession of the early 1990s, State General Fund's share of the total began to decline and for the most recent three years has hovered around 32%.

Local Property Tax revenues are the most reliable source of growth funds for the financing of public services. From 1965–66 through 2008–09, the first year of implementation for Proposition 13 in 1978–79 was the only year when local revenues did not increase. Every other year — with the exception of 1973–74 — these revenues have continued to grow and nearly always at annual rates well above measured inflation.

Local property tax revenues since the passage of Proposition 13 have averaged nowhere near the 31% of total state spending it represented before Proposition 13. Post-Proposition 13 local property tax revenues averages less than 14%. The total local property tax share has slowly risen since 2000–01 to 15.2%, its highest share since 1983–84.

From 1965–66 to 1978–79 when Proposition 13 took effect, General Funds averaged 29% of total State spending, but since 1978–79, General Funds have represented an average almost 37% of total state spending. This trend has lessened significantly in recent years. State Special Funds, while fluctuating somewhat from year to year, has gradually increased its share of total spending over the last 20 years, averaging only 8.4%. These special funds include user fees, such as student fees, and have grown in importance in how California finances its operations.

Display 11 shows these funds in actual and 2008–09 constant dollars. Page 1 of Appendix A shows these calculations over a 41-year period. The range of percent changes in constant dollars are a high of 859% for Nongovernmental Cost Funds, 257% for the State General Fund, 215% for Federal Funds, 259% for the Total State Spending Plan, and 194% for Special Funds. Local Property Tax revenues in constant dollars have grown only 55% since 1967–68.

Display 12 describes Proposition 98 funding for public K-12 education and the community colleges, and shows the State Appropriations Limit.

The Proposition 98 data in Display 12 are more informational than explanatory, given its complex nature and the annual negotiations and policy decisions surrounding it. For 2008–09, the Proposition 98 funding guarantee to public schools and community college is projected to be more than $58 billion, including all state and local fund sources. This is an increase of $1.2 billion, (2.3%) over the prior year. The community colleges' 2008–09 share of Proposition 98 revenues is estimated to be 11.1%, its highest share of Proposition 98 funding in 18 years.

Total Proposition 98 funding has increased 24% in the last five years and has grown by 200% over the 20 years the initiative has been in effect. The Amount Adjusted column shows agreed-upon under-appropriations of the Proposition 98 funding guarantee for the years with under-appropriations. These amounts are to be repaid in subsequent fiscal years. When the repayments are made, they will result in changes in the Proposition 98 funding levels shown for the affected prior fiscal years

Display 13 shows the State Appropriations Limit (SAL), calculated each year as a requirement of the 1979 voter-approved initiative Proposition 9. The SAL is calculated based on changes in California Per Capita Income, population growth, and K-12 student enrollment. In prior years it was not uncommon for budget year projections of covered spending to be close to the SAL, but for the final calculation of the limit to be well above final spending. The last seven years have seen SAL spending at its lowest point, relative to the spending ceiling.

For 2008–09, SAL-covered spending is projected to be $65.2 billion, or 81.6% of the $79.9 billion State appropriations ceiling. Page 1 of Appendix A shows the calculated limit has increased by 536% since its inception, while net appropriations have grown only 413%. Legislative and voter initiative changes in the definitions of the limit have resulted in increases in revenues excluded from the SAL. These non-SAL state appropriations have increased 51% in the last five years and 590% over the 30 years of the SAL.

Funding Per Unit of Full-Time-Equivalent Student Enrollment

Displays 14 through 16 show total funding from various sources per full-time-equivalent (FTE) student enrollment for the community colleges, CSU, and UC through 2008–09. The three displays are informational for comparisons of changes in per-student funding from selected sources within individual systems; not between them. Each display represents funding levels related to the educational missions of the individual systems and, for that reason, they are not comparable.

As shown in Display 14, combined General Funds and systemwide student fee revenues per FTE student at UC for 2008–09 are projected to be $22,244, a one-year increase of $178 per funded student (0.8%). State General Funds per FTE student has been slowly increasing over the past five years to a current level of $14,504 but is still below the peak of $18,638 in 2000–01.

Combined 2008–09 State General Funds plus systemwide student fee revenues per FTE student at CSU (Display 15) is projected to increase by $715 (6.2%) from the prior year level. The ten-year change in this funding at CSU is an anticipated increase of $2,915 (31.3%) per funded student since 1998–99.

Displays 14 and 15 show that at UC and CSU the proportion of per-student funding represented by systemwide student fee revenues has grown substantially. Combined state plus student revenues used in this per-funded student calculation represented by student fee revenues has increased from the 9%–12% range in 1987 to the 28%–32% range today.

Display 16 shows that average per-FTE student funding from combined state, student, and local fund sources is projected to increase by $99 (1.7%) in the community colleges. The change in per-FTE funding since the last recession is a growth of $1,399 (31.5%).

Displays 17 through 20 show average appropriations per FTE student for instructional-related activities (I-R) in the public systems and expenditures per FTE for instructional-related activities in selected independent institutions. The public-sector information is an annual update based upon the 1993 Commission report, Expenditures for University Instruction (Commission Report 93-2). Information for the independent sector was provided by the Association of Independent California Colleges and Universities (AICCU). The methodology for determining instructional-related revenues was developed in 1993 by the Commission, CSU, UC, and the community colleges. in consultation with the Department of Finance, the Legislative Analyst's Office, and other state officials (see Notes and Sources).

This comparison is presented for the state's three public postsecondary systems through 2008–09. It also includes expenditures per FTE for I-R activities in AICCU institutions through fiscal year 2006–07. The information is shown by major state and institutional fund sources, labeled here State-determined funds, and as totals for each system. In addition to actual dollar amounts, constant dollars are shown here (2006–07 for the independents), calculated using the Higher Education Price Index. All federal and private fund sources are excluded for the public postsecondary systems.

The total average per-student I-R funding for the community colleges in 2008–09 is projected to increase by $95 (0.6%) above 2007–08 levels. Similarly, total I-R funding increased $362 (2.7%) at CSU and $234 (3.3%) at UC. The most recent year-to-year change in average per student funding in the state's independent institutions in an increase of $929 (3.3%) in 2006–07.

Appendix A shows how averages of per-student I-R revenues have increased since 1983–84: 184% at the community colleges, 161% at CSU, and 174% at UC. Over time, a gap emerges between changes in State General Fund per-student funding versus combined funds (which include the State Lottery and systemwide student fee revenues). This finding is not as relevant in the community colleges due to its relatively low student fee levels, fee waiver program, and heavy reliance on Proposition 98 local property tax revenues.

When adjusted for inflation, the State General Fund portion of I-R per FTE funding drops 1% for the community colleges and UC, but increases 1% for CSU. Since 1983–84, the total average per-student I-R funding has declined 1% for CSU but has increased at the community colleges by 15% and UC by 4%.

For State General Fund I-R per student revenues, the constant dollar declines are more apparent. Both CSU (-16%) and UC (-30%) have seen significant declines in this measurement over the quarter century covered in this measurement. For the community colleges, constant dollar State General plus Local I-R funding has actually increased 8% over this period.

Since 1982–83, per-student funding generated by systemwide student fee revenues (SSF) has increased, both in absolute and relative terms over time. In actual dollars, per-student fee revenue funding has grown by 507% at CSU and 558% at UC. When adjusted for inflation, the student funded portion of I-R revenues far outstrips the total — 120% for CSU and 138% for UC. Even for the community colleges, the 176% actual and 11% constant dollars increases in student funded I-R revenues are higher rates of growth than either State General plus local funds, or total I-R funds.

When measured in constant dollars for 2006–07, I-R per-student expenditures for AICCU institutions decreased 0.2% from the prior year. Between 1979–80 and 2006–07, constant dollar per student spending has increased 155%.

Appropriation of Funds for California Higher Education

Displays 21 through 30 show total funding and annual percent changes in total funding for each system. These data are presented individually for each system, by revenue source, and in terms of the

proportion of total funding represented by each fund source. These displays do not include funding for the other publicly-funded higher education institutions.

Display 21 shows that combined State General plus Local funding for all three public higher education systems is more than $13 billion in 2008–09, a 4.1% increase over last year. The past two years' overall level of combined state and local funds is the highest ever in the 43 years covered in this display. Similarly, for State General Funds separately, last year's $10 billion and this year's $11 billion are the largest amounts of General funds ever allocated to the combined three public higher education segments.

The community colleges are budgeted to receive more than $7.1 billion in current operations funding in the current year, $188 million (2.7%) higher than in the prior year. The 2008–09 current operations funding is expected to increase by $311 million (4.5%) at CSU, with UC general-purpose funding projected to increase $409 million (2.1%). The major difference between funding for UC, and CSU and community colleges, is the larger scale of funds involved and the fact that the majority of UC's current operations funding comes from non-state sources.

Display 28 shows that State General funding for the community colleges will reach its highest level ever in 2008–09. Local property tax revenues (up $76 million, or 3.8%) and student fee revenues are projected to increase among other sources of current operations funding. Most funding for the community colleges is covered under the Proposition 98 funding guarantee. The community colleges are funded through a variety of program-based budgeting formulas

For each of the three public systems, the share of total current operating funds from systemwide student fee revenues has increased in recent years. For the community colleges, this percentage is expected to drop to 4%, its lowest share in five years (Display 29). Student fees are projected to generate $290 million in 2008–09.

Displays 26 and 27 show that State General Fund revenues are budgeted to increase to $3.1 billion for CSU, its highest level ever. Similar to a trend in UC, the percentage of current operations funds represented by the State General Fund continues a decades-long decline. State General Funds account for 43.9% of operations funding, which is an increase over 2007–08 but substantially lower than the 69% average seen from 1968 through 1988. In only six of the past 20 fiscal years has the year-to-year change in the proportion of current operations funds represented by the State General Fund increased at CSU.

Student fee revenues are anticipated to account for 21% of total current operating funds at CSU, as is shown in Display 27. This share is the second-highest proportion in the 41 years of this display. At $1.5 billion, CSU's resident fee revenues are expected to be at their highest level ever, $144 million above the prior year. These student charges generate about $1 for every $2 from the State General Fund. This ratio was below 1:3 five years ago and was less than 1:5 at the beginning of this decade.

Display 23 shows that operations revenues will be $19.6 billion at UC this year, with 75% designated for special or restricted use. State General Funds are projected to be in excess of $3 billion, which is still lower than the 2001–02 high for State General funds. Systemwide student fee revenues are expected to generate $1.7 billion in operating funds this year, a one-year $142 million increase. General University Funds are expected to grow by $39 million this year.

At UC, student fee revenues account for 8.8% of total current operations funds, which is an historic high. With its wider variety of funding sources, the State General Fund's share of this total has generally hovered in the 15% to 20% range over the past 15 years. The share of current operations funds by State General Funds has been on a generally downward course since the late 1980s. From 1968 through 1988, State General Funds accounted for an average of 29%, but since the 1990 recession, this average has been 18.3%. The ratio of resident student fee dollars to State General Fund dollars in UC has averaged just below 1:2 for the past three years; this average was just over 1:5 be-

fore the 2000 recession. A similar scenario occurred during the 1990 recession. In the 1990–91 fiscal year, this ratio of student to state dollars was less than 1:8 but by 1994–95 it was nearly 1:3.

Display 25 shows UC's fund sources for organized research, excluding the U.S. Department of Energy laboratories. The federal government has historically provided more than half of this funding; in 2006–07, approximately 16% came from state general and special state appropriations and contracts with state agencies. An estimated 29% was generated by gifts, contracts and grants, and endowment funds.

Categories of Expenditures for the Systems

Displays 31 through 35 show general-purpose fund expenditures for ongoing operations in each of the three public systems. General-purpose funds are made up of the State General Fund, local revenues, and systemwide student-fee revenues, along with system-specific funds. These displays include calculations of the proportion of total expenditures represented by each category.

Displays 31 and 32 show that UC's expenditures of its $3.9 billion in general-purpose funds. At just over $2 billion, Instruction and Research accounts for 52%, a 3% increase over 2007–08, which is its highest share since 1993–94. Organized Research has remained stable at 9.3% in both 2007–08 and 2008–09. Institutional Support is the second-largest category and its most steadily funded, rarely ranging far from a 22% average. There has been no general purpose funding for Student Services for more than a decade and only once over the past quarter century has this category accounted for more than 1% of total general purpose funding. Primary funding responsibility for student services was switched to student fee revenues at the beginning of the State's early 1990s economic recession.

Display 34 shows that CSU will spend 41.5% of its general-purpose funds on Instruction, a decline from last year and its smallest proportion in the 40 years of this display. Since an 80.6% high in 1967–68, general purpose funding for instruction has experienced gradual year-to-year declines through the mid-1990s. An accounting change in 1997–98 removed some programs from this category and lowered its share of the total to the 42%–45% range. 2008–09 general-purpose spending on Student Services is expected to remain unchanged. General-purpose funding for Academic Support is projected to be 11.6% and Institutional Support will account for nearly 24.4%.

The community colleges' general purpose funds are only publicly accounted for in three expenditure categories (Display 35). Prior to the economic recession of the early 1980s, Apportionments (enrollment funding) accounted for an average of nearly 99% of general-purpose spending. Since 1985–86, this average has been less than 90%. Administrative and programmatic responsibilities represent the remaining 11% of general-purpose funding in Special Services and Operations and Administration.

Student Tuition and Fee Charges and Revenues

Displays 36 through 41 contain a variety of information on resident student fees and non-resident tuition. For 2008–09, the budget assumes increases in systemwide resident undergraduate student fees at CSU of $276 and $490 at UC. Community college fees are expected to stay at $600.

Combined total revenues from systemwide student charges (not including mandatory campus-based fees) is projected to rise by $187 million (6.4%) to over $3.3 billion in 2008–09. In 1990–91, the last fiscal year before the State's economic recession of the early 1990s, systemwide student charges generated $586 million. In 2000–01, the last fiscal year before the economic recession of the early 2000s, these charges generated $1.3 billion. Student charges, including revenues from non-resident tuition, may generate $3.8 billion in 2008–09, which is about half as much as the State General Fund provided to the three systems combined just ten years ago.

The table at the top of Page 3 of Appendix A shows changes in student fee revenues since 1965–66 and 1984–85 for the community colleges, adjusted for inflation. In 2008–09, revenues (not fee levels) generated from total student tuition and fee revenues are projected to have risen 983% at UC, 1,299% at CSU, and 179% at the community colleges since 1965–66. These non-inflation dollar rates of growth eclipse any other source of operating revenue at CSU and UC and rival the percentage increases of any fund sources in the community colleges.

Increases in student charges revenues is the result of a combination of increased enrollments coupled with increasing tuition and fee levels. Further, institutions use up to one-third of new student fee revenues each year for financial aid to mitigate the impact of fee increases. Even so, at an estimated $3.8 billion, the tuition and fee revenues generated by California's combined three public systems is greater than State General Fund appropriations in every state in the nation except California and Texas (Display 97).

Displays 38–41 show undergraduate resident student fee levels and non-resident tuition levels starting in 1965–66. Systemwide fees and total fees include averages of mandatory campus-based fees at CSU and UC. Constant-dollar amounts of student fee levels (not fee revenues) are shown in Display 41 and summarized in Appendix A.

The current-year student fee levels will rise at UC by 7.4% and CSU by 10%, and will remain unchanged at the community colleges. Since the mid-1960s, fees at UC have increased more than 30% in a single year, more than seven times. CSU fees show a similar pattern, with sharp increases during economic recessions and moderate-to-no increases during more stable economic times.

Appendix A shows the high absolute levels of fee increases when the effects of inflation are removed. When measured in 2008–09 dollars, total student fees will still have risen 322% at CSU and 285% at UC over the past 39 years. Over the 20 years of systemwide student fees at the community colleges, fee levels have grown by 194% in constant dollars. Revenues from student charges continue to be the single bellwether funding source for the community colleges, CSU, and UC during moderate-to-severe economic downturns — and one with above-average performance during good economic times as well.

State Financial Aid

Displays 42 through 46 show funding for the Cal Grant A, B, C, and T financial aid programs for public, independent and proprietary postsecondary students administered through the California Student Aid Commission (CSAC). Display 42 shows total Cal Grant program funding, by sources of funds. For 2008–09, State General Funds account for 98.5% of the $759 million projected to be spent on Cal Grants. The annual rate of funding increases for the State's Cal Grant program this decade has been an average of 5%.

Display 43 contains yearly summaries, by program, of new and total Cal Grant awards (including renewals). In 2007–08, there were 102,635 new Cal Grant awards, an increase of 933 over the previous year. While the Cal Grant program comprises a relatively small portion of overall student financial aid, its impact is significant. For 2007–08, there are more than 231,000 active Cal Grant awards.

Display 44 shows competitive and entitlement Cal Grant A and B awards and totals that include renewal awards, for 2001–02 through 2007–08. This display better reflects the changes to the Cal Grant system adopted in SB 1644 (Chapter 403, Statutes of 2000). In 2007–08, there were 69,252 new Cal Grant A and B Entitlement Program awards and 25,622 new A and B Competitive Program awards. There were a total of 11,279 active awards in the Cal Grant C and T programs, with the bulk as C awards, since the Cal Grant T program has been phased out and converted to a loan as-

sumption program for teachers. Recently enacted legislation could increase the number of Cal Grant awards, as it raised the maximum age limit for awards targeted to transfer students.

Display 45 shows that the maximum level of Cal Grant A program awards for 2008–09 has remained stable at $9,708. Cal Grant B program award maximums also stood at $11,259. The Cal Grant C program award maximum has been $3,168 for the last nine years. Unlike the A and B programs, the maximum level of C awards has changed relatively little over the 34 years of the program. The increases in A and B award maximums has been more substantial. Since 1968–69, the maximum level of Cal Grant A awards has increased 385% and the award maximum for the Cal Grant B program has grown 1,151%. The award maximum for the smaller Cal Grant C program has increased only 27% since the program's creation in 1973–74.

Display 46 shows the number of outstanding student loans and total student loan dollars guaranteed by CSAC in three groupings of educational sectors through the 2006–07 fiscal year. The number of student loans and the total dollar amounts increased for the public and independent sectors over the past year but decreased for out-of-state institutions. The total number of loans to community college, CSU, and UC students rose 4.8% in 2006–07, and 2.9% for students at independent institutions and proprietary schools. In 2006–07 CSAC guaranteed 1,472,417 student loans worth more than $6.6 billion — 24% more than the previous year.

Capital Outlay Funds

Displays 47 through 52 show capital outlay (construction and building renovation projects) funding for the community colleges, UC, and CSU. The funding includes state and non-state fund sources. Due to the volatility and project specificity of the other non-state funding source it is excluded from the calculations of annual percent changes in total capital outlay expenditures.

The 2008–09 budget includes $633 million in total State capital outlay funding, with a very small portion from prior voter-approved general obligation bonds.

This year, UC will spend about $56 million in regular state funding on capital projects this year. CSU's projected $103 million is $312 million less than last year. State capital outlay funding for the community colleges is $473 million.

Capital construction items are multi-year projects — year-to-year funding levels can be misleading, relative to a segment's construction program. Fund sources for projects are occasionally changed and prior-year accountings for construction funding must be revised.

For the past two decades, California public higher education has come to rely almost exclusively on statewide voter-approved general obligation bond initiatives. All recent education bond initiatives have passed, with the exception of a 1994 initiative that was defeated. Most community college districts have high rates of success passing local bond issues, since the approval threshold for these bonds was lowered to 55% in 2001. 2008 is the first year since 2000 without an education general obligation bond in the biennial November general election. What financing alternatives exist for the public segments' multi-billion dollar construction programs should voters decline to approve a statewide general obligation bond? Lease revenue bonds, local and fee-based financing, and other methods could provide stop-gap funding but the loss of even one or two years of state capital outlay bond financing would be a major blow to the systems' construction plans.

Independent Institutions

Displays 53 through 63 show information for members of the Association of Independent California Colleges and Universities (AICCU). Displays 53 and 54 show information on student financial aid for all independent institutions through 2006–07. A total of 25,199 students attending independent

institutions received Cal Grant awards or Graduate Fellowship awards in 2006–07, a decrease of 2718 students (9.7%) from the prior year (Display 53).

Display 54 shows the value of the Cal Grant maximum award level in relation to average tuition and fee levels at independent institutions. The maximum award level in 2005–06 was $8,332. In 2006–07 the maximum amount was restored to the 2004–05 level of $9,708. This maximum award level of $9,708 covered 36.8% of tuition at independent institutions.

For 2006–07, the percentage of tuition at independent institutions covered by the maximum Cal Grant A award rose to 36.8%, as the maximum grant award level was increased to $9,708 from its prior level of $8,332. This lower grant award maximum was continued into the 2005–06 fiscal year but was restored to $9,708 in 2006–07.

In the early 1980s, Cal Grant awards covered an average 69% of tuition levels This buying power has gradually eroded over time and in only three of the last 18 years has the grant award been at least 50% of the average tuition level.

Fund revenues, enrollments, expenditures at independent institutions

Displays 55 through 60 deal with current fund revenues, enrollments, and educational and general (E&G) expenditures in AICCU institutions through 2006–07. In Display 55, total current fund revenues for independent institutions have continued to rise since 2000–01. Total current fund revenues in the independent colleges topped $15.5 billion in 2006–07, up $1.4 billion (10.3%) from 2005–06. When coupled with a 5,727 (2.7%) increase in funded enrollments, total current fund revenues per FTE student rose to an average of $73,710 in 2006–07. This represents an increase of $5,021 (7.3%) above 2005–06. Display 56 shows that each FTE student generated an average of 33% of these revenues in tuition in 2006–07.

Display 57 shows information on headcount and FTE enrollment and weighted average tuition levels. In 2006–07, 269,008 students were enrolled, a 7.7 % increase over the prior year. The weighted average tuition in 2006–07 was $26,402, a 2.3% increase over the prior year.

While the weighted average tuition level for each student was $26,402, the actual average tuition revenue generated by each FTE student was $24,775. Actual student-generated revenues covered only two-thirds of the calculated average instruction-related expenditures per FTE student in 2006–07. Display 20 contains additional information on these cost per student calculations.

Displays 58 through 60 show education and general (E&G) expenditures, average expenditures per FTE student, and instruction-related expenditures. The total E&G expenditures at the AICCU institutions grew to $8.4 billion in 2006–07, a $500 million (6%) increase over 2005–06. For fiscal year 2006–07, average E&G expenditures per funded student were $41,465, $2,477 (6.4%) higher than in the previous year. Display 59 shows these expenditures as a percentage of the total. There has been very little change in the proportions represented by each expenditure category over the past six years.

Instruction, at $3.7 billion, has maintained a share of around 42% since 2000–01. Scholarship and Fellowship accounted for 14% in 1998–99 but has declined to an average of only 2%. As is often the case with such significant shifts, it is possible that the program mix for this category was changed at that time.

Displays 61 through 63 show state funding and enrollment information for independent institutions in other states. This information is gathered through the State-National Information Network of the National Association of Independent College & University State Executives.

Among the 21 states with 2006–07 data, California ranks second behind New York (Display 61). For Fall 2006, California ranked fifth in headcount enrollment (see Display 63), and is third among the six states enrolling more than 200,000 students in independent institutions: New York, Pennsylvania, California, Massachusetts, Florida, and Illinois.

Appendix A (page 4) shows changes in FTE enrollment nationally over the last ten years of data (fall 1996 to fall 2006) for California and other states with large independent sector enrollments. States with year-to-year increases over 10% in funded student enrollment are Wisconsin (14%), California (12%), Tennessee (12%), and Minnesota (10%). Over the past ten years, Texas' 613% increase is by far the largest recorded, where enrollment increased from 16,048 in Fall 1994 to 114,462 in Fall 2004. California (36%) has the second-highest rate of enrollment growth over this time, followed by Tennessee (26%) and Ohio (25%).

Enrollments in California Public Postsecondary Education

Displays 64 through 67 show headcount and funded FTE student enrollment for UC, CSU, and the community colleges. Funded enrollments are projected to increase 33,799 FTE students in the community colleges, 8,572 FTE students at CSU, and 4,282 at UC. The data estimate that for the three systems as a whole, 44,460 more headcount students will enroll in 2008–09 than in 2007–08.

Displays 66 and 67 show breakdowns of FTE enrollment in each system. UC's non-health sciences enrollments for 2008–09 are expected to increase by 3,882 FTE (1.9%). Health sciences FTE enrollment will increase by 400, or 1.9% (Display 66). CSU's FTE enrollment information is shown by level of students. The community colleges' FTE enrollment information is presented by funding source (Display 67). CSU's funded student enrollment is anticipated to grow by 2.4%; the community colleges' funded enrollment is expected to increase 2.8%.

Whether measured in terms of headcount or FTE, enrollment has risen significantly since the early 1990s and is slowly recovering from the effects of the early 2000s economic recession. Over the past ten years, FTE enrollment has increased by 24% at the community colleges, 33% at CSU, and 39% at UC.

Nearly three-and-a-half times more students are enrolling in the community colleges compared to the mid-1960s (Display 64 and Appendix A). CSU and UC headcount enrollments have also tripled since the mid-1960s. In total, California's public higher education enterprise now enrolls more than 2.4 million students. The challenge faced by the segments is to continue to grow their enrollments while faced with the combination of increased demand and declining per-student state support.

Price (Inflation) Indices, Income Growth, and System Financial Support

Displays 68 through 70 show actual index values, annual percent changes, and inflation factors (used for constant-dollar conversions) for selected state and national price indices, including the Higher Education Price Index, California Personal Income, and Implicit Price Deflators, through 2008–09 (Appendix B).

For 2008–09, nearly all inflation measures show stable 2.5%–3.5% price increases. The exception to this is the California Personal Income, which is expected to increase by 4.3% this year. Both the State and Local Purchases Index (3.0%) and the Higher Education Price Index (2.4%) are at the low end of recent year-to-year inflation increases.

Changes in the inflation indices over time, in Appendix A, show that most have increased 13% to 19% over the past five years, the exceptions again being California Personal Income (32%) and the State and Local Purchases Index (28%). When divided by the State's population, personal income growth since 2003–04 is 24%. Excluding personal income, the highest rates of price inflation since

1965–66 are the State and Local Purchases Index (654%) and the Higher Education Price Index (584%).

Actual and Constant-Dollar State-Determined Funds

Display 72 compares State-Determined Funds for the three public systems. State-determined funds are primarily State and local funds and student charges over which the State and/or the education systems exercise policy-making or allocation authority. For CSU and UC, State General Funds represent the majority of state-determined funds but not as large a proportion as in past years.

The data here show the relatively diminished role that State General Funds plays in financing segmental operations. In the mid-1960s, the General Fund plus local revenues for the community colleges accounted for essentially all of this funding, and even until the early 1980s, its share still averaged close to 90%.

In 1996–97, State General Funds represented 70% of total State-determined funds for UC, 73.3% for CSU, and 92.3% for the community colleges. For the current year, these percentages are 64% for CSU, 57.7% for UC, and 93.6% for the community colleges.

State General Funds plus local revenues still account for most of this funding in the community colleges. Before systemwide student fees were imposed, these funds accounted for nearly all of the system's operating revenues; since 1985–86 its share has settled into the 90% to 94% range.

The proportion of State-determined funds represented by systemwide student fee revenues in 2008–09 is projected to be 30.6% for CSU and 30.8% for UC, both slight increases since last year. Since the beginning of the early 1990s recession, the shares of State-determined funds represented by student fee revenues have more than doubled and have continued to steadily increase.

For all of the systems, lottery revenues represent very small proportions — 0.5% to 2.3% — of total State-determined funds. The lottery has never represented more than 1.1% for UC. The high for CSU was 2.8% in 1989–90. The highest proportion for lottery revenues at the community colleges was 5.4% in 1988–89. Since 1999–2000, the lottery has represented an average of 2.7% of state-determined funds at the community colleges, 1.3% at CSU, and less than 0.5% at UC.

State-determined funding appropriations by funding source and per-FTE student

Displays 73 through 78 show appropriations of State-determined fund sources for current operations in actual dollars and 2008–09 constant dollars. These are shown as total appropriations, by fund source, and as per-FTE student averages for each system. These State-determined funding data are the numbers used for the percentages of fund-source shares presented in Display 72.

For UC, total current-dollar state-determined funds per student are projected to increase 1.2% over last year's levels to an average $25,131. The 2008–09 constant dollar one-year change is a slight decline of 1.1%. Constant-dollar total per student has risen only 1% in 41 years (Appendix A).

For CSU, the one-year total current dollars per student change is an increase of 5.1%. The one-year constant dollar change here is an increase of 2.6% and the 41-year constant dollars per student change is an increase of only 18%. In the same period, the constant dollar student revenues per FTE since 1967–68 has increased 470%.

The community colleges' state-determined funding per FTE is projected to grow 1.6% in 2008–09, with a constant dollar decrease of 0.7%. The 41-year change in constant-dollar total per FTE funding has increased by 11%. Due to the 1984–85 imposition of statewide student fees, and the low levels of these fees, constant-dollar student fee revenues per student over time have increased only 11%.

Constant-dollar per student funding from the State Lottery since its inception in 1985–86 has declined for the community colleges and UC but has increased for CSU. These funds have dropped 49% for the community colleges and 55% for UC but have increased 13% for CSU. The main reason for this variance appears to be an artificially low initial lottery allocation (actual dollars) for CSU — it more than doubled in the second year before settling into a more normal rate of growth. The other two systems have seen a steady, if meager, rate of growth of lottery funding from the first year forward.

Hastings College of the Law and Public School Support

Display 79 shows the State General Fund and total funds (including student fee revenues) for Hastings College of the Law and FTE student enrollment. Hastings' 2008–09 State General Funds are budgeted to remain the same as in 2007–08, while its Hastings Funds (mostly revenues from student charges) are projected to increase by 14.4%.

Over the last ten years, enrollments at Hastings had increased 7.4% while total funds increased by 135%. State General Funds have declined 19.7% while its Hastings Funds have increased 150%. Resident student tuition levels have also more than doubled, while non-resident tuition levels have increased 28%.

Over the last 20 years, Hastings enrollments have declined by 116 students (8.7%), mostly due to an enrollment management plan. Total funding has grown 321% but State General Fund revenues have fallen by 13.4%. Hastings Funds have grown 1,060%, driven by resident student tuition increases of 1,838% and non-resident tuition increases of 149%. Hastings' lottery revenues are down 24.6%.

Per-Capita Spending in California Public Education

Displays 80 through 82 show overall funding and funded enrollment information for K-12 Education. Total K-12 funding, including federal and other funds, is estimated to be $71.9 billion in 2008–09, an increase of $280 million, 0.4% over the adjusted totals for last year. Combined State and local K-12 funding is $65 billion this year, $167 million, 0.3% higher than in 2007–08.

K-12 enrollment is measured in units of average daily attendance (ADA), and funding is primarily based upon ADA levels. These enrollment data are awaiting updates for the most recent fiscal years. Due to its sheer size and funding level, no other area of state finance has the exposure to potential mid-year budget reductions. Deliberations on the current budget may lead to funding reductions that change many of the measurements of K-12 financing contained here.

Displays 83 through 86 show per-capita appropriations of revenue sources for current operations for UC, CSU, the community colleges. and K-12 education. Per-capita calculations divide a given data series by a defined population grouping. In this measurement, funding levels are divided by the state's population. Displays 80–82 show changes in per-capita funding and contrasts per-capita funding in each system from only state funds (including lottery revenues) with changes in combined per-capita funding, which includes local funds for K-12 and student fee revenues for the postsecondary systems.

Per-capita state spending will increase 3.7% for the community colleges, increase 5.5% for CSU, and decrease 2.1$ for UC. Per-capita, combined-source funding for K-12 education is ten times greater than that for any of the higher education systems.

Display 87 shows average per-capita combined funding source spending for the state's public K-12 education and higher education systems from the four prior displays individually and as a K–University total for each of the past 43 years. Display 87 calculates 2008–09 average per-capita appropriations for the four public education systems as one total. The K-12 Education share of the

$1,898 in projected total per-capita funding for 2008–09, is 79%. The community colleges' share is 8.5%, the CSU share is 55.8%, and the UC share is 6.7%.

These shares of combined per-capita funding have changed little since the passage of Proposition 13 in 1978. From 1972 to 1978, community college funding represented a larger share and K-12 a smaller one, though prior to that, the funding relationship was reversed. Many factors affect these proportions and viewing any one year will not show the entire picture; however all of the higher education systems achieved their largest shares of combined per-capita funding prior to the 1990s recession. The highest year for the community colleges was 11.9% in 1977–78; for CSU it was 7.1% in 1980–81, and for UC, the highest share was 10.2% in 1986–87.

Display 88 shows per-capita appropriations of State General Funds in five combined expenditure categories for 1967–68 through the present (Display 6). These data are also shown with their respective shares of total per-capita State General Fund expenditures. K-12 Education has the largest dollar amount ($1,088) and the largest share (40.3%), followed by Health and Human Services ($814 and 30.1%), Higher Education ($317 and 11.7%), Corrections and Rehabilitation ($266 and 9.9%) and General Government ($215 and 8.0%).

Year-to-year per-capita appropriations for 2008–09 are projected to decrease in all five expenditure categories with the exception of Health and Human Services. The State is expected to spend $2,701 per resident in 2008–09 in these five areas, a $29 (1%) decrease since 2007–08 in total for per-capita appropriations.

Since 1967–68, Corrections and Rehabilitation per-capita funding has grown by the largest margin (3,162%), more than double the change of second-highest category, Health and Human Services (1,108%). Total State per capita spending has increased 1,119%, K-12 spending 1,292%, and Other Government spending 603% since 1967–68. State General Fund spending for Higher Education has gone up 754%, in comparison to the other categories over the past 41 years.

Display 89 calculates actual per-capita personal income since 1965–66 using information and methodology from the United States Bureau of Labor Statistics. Display 89 and Display 69 differ in that per-capita personal income is the average income for each person living in the State, while Display 69 measures overall changes in income not divided by population.

Using revised data from the November 2008 U.S. Bureau of Labor Statistics, it is estimated that per-capita personal income will increase by 1.7% for 2008–09. In deflated dollars (using the State CPI), per-capita personal income for 2008–09 will actually decrease by 1.7%. Over 43 years, constant-dollar per-capita personal income in California has increased 65%, while the State's population has grown 107% (Appendix A).

Education Funding and Enrollments in Comparison to State Funding and Population Growth

Display 90 shows changes in the per-person average state and combined fund appropriations for K-12 and higher education, in terms of state funding and combined funding (including fee revenues and lottery). The population information used in these calculations is shown in Display 91. The combination of the State General Fund, Local Tax Revenues, and Non-governmental Cost Funds (Display 9) are divided by the state's population, similar to the calculation for the state's per-capita spending. For public higher education, the systems' combined state, local, and student fee revenues are divided by headcount enrollment to provide caseload average appropriations. Finally, K-12 combined (state and local) funding is divided by K-12 headcount enrollment.

In terms of annual change for 2008–09, overall state funding per resident is projected to increase 2.6%, while K-12 state and Local combined caseload funding increases 0.3%, and higher education funding per student rises 3.2%. As is shown in Appendix A, these measurements continue to show

that relative to increases in its service population, state funding for higher education has experienced by far the lowest overall growth in public-fund dollars per caseload of the three categories. This holds true whether measured in actual or constant dollars. Higher education's 6% constant-dollar 41-year growth rate in per-student funding is much smaller than the 91% growth rate for per student combined state and local funds for K-12 education and even less of the 117% rate of growth in overall state funding per California resident.

Headcount enrollments in the community colleges has increased the most of those shown here since 1965–66 (280%), followed by CSU (197%), UC (173%), and K-12 (44%). Over the most recent five years all of the higher education segments have gained some enrollment with UC weight in with the highest proportion (8%). Since 1988–89, public higher education enrollments combined have grown 30%, compared with a 29% increase in K-12 enrollment.

Display 93 shows comparisons of overall State General Fund appropriations (SGFs) and state populations with changes in public higher education systems' state and local funds and combined headcount enrollments. For the most recent year, overall SGF appropriations are anticipated to increase only 0.1%; while state plus local funds will rise 4.1%. Information for Display 93 in Appendix A shows that for the most recent five years, actual-dollar overall State General Fund appropriations (from Display 9) have increased 32%, while higher education state plus local funding has increased 34%.

As the length of time covered in this measurement increases, the gap between the two funding areas widens in both actual and inflation-adjusted dollars. Since 1998–99, constant dollar total SGF appropriations have increased 28%, while higher education General plus Local funds have grown only 5%. Over the past 20 years, these percent changes are 55% for total General Funds and 17% for higher education funding. Since 1965–66, constant dollar overall SGF appropriations have increased 446%, with higher education General plus local funds rising less than half that rate (207%). In actual dollars, the differences are even similarly stark, although the 43-year change of 2,340% for higher education General plus local funds is nearly two-thirds the 3,908% growth rate in overall General Fund appropriations.

National Comparative Higher Education Appropriations and Expenditures

Displays 94 through 101 compare spending on higher education among the 50 states and the District of Columbia. Displays 94 through 97 use information compiled by the Census Bureau's Government Finances publication and succeeding data published only over the Internet. The federal government defines some sources and uses of funds differently than does California and excludes some fund sources for higher education in its calculations that are generally included for California in state-level analyses.

Some calculations, such as per-capita expenditures in Displays 94 through 96, are not comparable with other displays in this report. Federal data are the best source of information on higher education spending for consistent comparisons across the 50 states. These data include expenditures of federal funds for higher education in addition to state and local fund sources.

Displays 94 and 95 show changes in state and local per capita higher education spending over a 38-year period, ending in 2005–06. The Census Bureau reports that no state-by-state data were collected for 2000–01 and 2002–03. Across the seven most populous states, the average change in expenditures from 2003–04 to 2005–06 is 3.8%. The national average is 2.6%. 2005–06 is the first year where none of the seven largest states experienced an increase in per-capita spending. New York was the only state not to experience a decline. Ohio experienced the smallest decline, 0.1%. California experienced a decline of 0.7%. Florida had the largest decline, 2.2%.California had the second lowest rate of growth, at 810% (see Appendix A). Florida was the lowest at 734%. Pennsyl-

vania (1,854%) and Texas (1,129%) experienced the fastest rates of growth, followed by Illinois (1,053%) and Ohio (1,044%). The national average change is 995%.

Display 96 covers the 30 most populous states from 1986–87 to 2005–06. California was in the top 10 for the earliest four years shown, then slipped to as low as 21st during the 1993–94 recession. California's highest two-year average was 13th since before the 1990s recession. For 2005–06, California ranked 12th among the 30 most populous states and spent an average of $647 in per-capita higher education expenditures. California's cumulative ranking, or average over the 18 years from 1986–87 to 2005–06, is 14th at $428 per person. Among the 10 most populous states California ranks third to Michigan ($509) and North Carolina ($502). Top-ranked states in per-capita spending: Iowa ($857), North Carolina ($853), Wisconsin ($790), Michigan ($781), Alabama ($769). Top-ranked states in cumulative per-capita spending calculation: Iowa ($583) Michigan ($539), Wisconsin ($522), Oregon ($504), and North Carolina ($502). Texas ($345) is 16th and New York ($326) is 27th in the cumulative ranking of per-capita spending.

Generally, states with the largest per-capita expenditures for education — and most other government program areas — tend to have relatively smaller populations to divide these expenditures by. Michigan and North Carolina are now in the top ten in population that also rank in the top ten in per-capita expenditures for higher education. Michigan has been in the top four states during each of the 18 years of this analysis. Iowa, the 30th most populous state, has the highest level of per-capita spending on higher education for the most recent year, for the cumulative 18-year ranking, and in each individual year's data, with the exception of 2004–05 when it was second only to North Carolina.

Displays 97 and 98 show appropriations of state funds for higher education for the 35 most populous states for the last 22 years with annual (and other intervals) percent changes in appropriations. Information shown is defined by The Grapevine, a higher education finance database operated by the Center for Higher Education Studies at Illinois State University.

For 2007–08, California continues to have the nation's largest higher education appropriations, as it has for the entirety of this data series. As defined here, California's estimated $11 billion in higher education spending is its highest ever. The next closest states are Texas ($6 billion) and New York ($5.1 billion). The national, one-year change from 2006–07 to 2007–08, was an increase of $5.4 billion (7.5%), with the total funds reaching $77.5 billion. For the first time since 1998–99, none of the 35 most populous states experienced declines in higher education appropriations. 20-year percent increases for California (116.4%), Texas (171.5%), New York (78.7 %), Florida (175.5%), and Illinois (119.1%). Louisiana (235%) had the largest percentage increase in funds between 1987–88 and 2007–08, followed by Georgia (217.4%) and Arkansas (217.1%).

Display 99 presents current higher education fund appropriations and annual percent changes for the past 27 years in those states that have appropriated more than $1 billion to higher education. Display 99 shows states that have appropriated at least $1 billion to higher education in each of the five most recent fiscal years. This entire data series has been updated for prior years. California's appropriations far eclipse those of the next closest state. Display 99 includes state funds for CSU and UC as the equivalent of a state. State funding for CSU and UC combined is $5.4 billion without the addition of the community colleges and other higher education institutions and agencies, and would constitute the third-largest state in terms of state-funded higher education appropriations for 2007–08 behind Texas ($6 billion) and New York ($5.1 billion).

The funding difference between Texas and the CSU/UC state is only $622 million for 2007–08. However, this is only the second year on the display that Texas has been higher. For 13 of the first 16 years of this data series, New York ranked third, ahead of Texas. Beginning in 1997–98, Texas' higher education appropriations eclipsed New York's. In recent years, state funding of higher educa-

tion in both Texas and New York has risen substantially, and Texas closed the gap with CSU/UC in 2006–07. For 1983–84, both states ranked ahead of CSU/UC.

Display 99 also presents the 18 states by their annual percentage change in appropriations of state funds for higher education. In the most recent year-to-year comparison (2006–07 to 2007–08), higher education funding in California increased 5.7% and CSU/UC increased 4.6%. Alabama has the largest anticipated one-year rate of growth in higher education funding for 2007–08 (14.6%). The state with the smallest is Michigan (0.1%). The 18 states with higher education expenditures of more than $1 billion (excluding CSU/UC) estimated a year-to-year increase in higher education spending of $3.4 billion (7%) in 2007–08 and allocated a total of $53 billion between them. For the revised 27 years of data presented here, North Carolina tops the list in terms of cumulative percent change in higher education funding over time. Florida, Georgia, Washington, and Alabama round out the top five in cumulative percent increases in higher education funding.

Display 100 compares State General Fund appropriations for current operations of CSU and UC over the past 18 years with those of their respective national public faculty salary comparison institutions. State General Funds for UC declined 5.9% between 2006–07 and 2007–08, the highest rate of decline of the comparators. Combined state funding for UC and its four public comparison institutions declined 4.8% for 2007–08. Since 2001–02, funding information for the State University of New York system has not been provided for its individual institutions, thus, no specific funding totals are reported for the UC comparator university, SUNY–Buffalo.

CSU's 5.7% increase in State General Funds for 2007–08 exceeded the 5.7% average increase for its 15 public comparison institutions. Funding estimates were available only for the University of Wisconsin, Milwaukee. No campus-specific data are available for SUNY, Albany. The overall trend in one-year funding among these institutions was generally one of single-digit increases. The only decline in state spending was at Wayne State University (-0.4%), while State spending at North Carolina State University rose the highest (11%).

Display 101 shows a summary of State General Fund appropriations for ongoing higher education operations in the 50 states over the past 42 years, along with annual and two-year percent changes. Changes in the United States Consumer Price Index and the Higher Education Price Index are also shown here for comparisons. The one-year change for 2007–08 in total national higher education spending is a $5.4 billion increase (7.5%), as noted in Display xx. This is the largest year-to-year dollar gain recorded in the 42 years covered in this display. Per-capita higher education spending for the nation as a whole rose 6.5% to $257 in 2007–08. In general, the information available on national higher education spending for the most recent years available shows a gradual recovery from the earlier recession.